

and that such consideration exists when such bills are mutually interchanged. This makes it difficult to legislate against accommodation bills, even if it were desirable, without destroying banking transactions, which are based upon a similar interchange of credits.<sup>1</sup>

The crisis of 1783 is notable for having had an international character, in affecting the *Cause d'Escompte* in Paris as well as the British banks, and for the enlightened policy of sustaining credit adopted by the Bank of England. A policy of rigid contraction was at first followed by the directors, but as soon as this policy had turned the flow of bullion towards England they came boldly to the assistance of the government and expanded their discounts to solvent houses. A different policy was pursued in the crisis of 1793 and it was the government, instead of the bank, which came to the relief of credit. Everything was ripe in England in 1792 for the explosion of a crisis when the disturbances in France and the declaration of war by the National Convention applied the torch.<sup>3</sup> A large failure occurred in London on February 15, 1793, and the panic spread throughout England, causing the failure of over one hundred of the country banks and frightening the Bank of England into the reduction of its discounts.<sup>3</sup> The pressure for money suggested to Sir John Sinclair a return to Montague's device in 1697 of issuing Exchequer bills to solvent merchants. A committee was appointed by the House of Commons, which promptly re-

<sup>1</sup> Macleod, *Theory and Practice of Banking*, I., 359-68.

<sup>9</sup> M. Juglar lays stress upon the fact that this crisis was a typical commercial crisis, due to economic conditions, and was not essentially hastened by the declaration of war, for unfavorable exchanges and exports of specie had already set in twelve months before hostilities. France suffered a severe crop failure in 1789, but this did not arrest the expansion of credit and of commercial operations until the period of ten years from the preceding crisis of 1783.—*Des Crises Commerciales*, 302.

<sup>8</sup> Country merchants and bankers were permitted under then existing laws to issue optional notes, payable in the country or in London, and it is stated that out of 279 country bankers issuing notes 204 issued these optional notes.—Ivory, 69.